

Message Text

PAGE 01 KUWAIT 00002 210827Z

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ACTION EB-03

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 3217

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY TEHRAN

USINT BAGHDAD

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 2 OF 2 KUWAIT 2612

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6. RALSTON AGREED HIS VIEWS HAD CHANGED SOMEWHAT, BUT SAID GULF'S SITUATIONN ALSO HAD CHANGED. IT NOW APPEARED "LITTLE COULD BE SALVAGED" IN VENEZUELA. HE THOUGHT GULF COULD NEGOTIATE A SATIFACTORY AGREEMENT WITH GOK WHICH, ALTHOUGH IT MIGHT NOT BE TOTALLY ACCEPTABLE FROM THE STANDPOINT OF COMPENSATING GULF FOR THE LOSS OF ITS REMAINING 20 PERSENT INTEREST IN KOC, COULD HAVE OTHER ADVANTAGES. WHEN PRESSED HE SUGGESTED THESE COULD INCLUDE JOINT MARKETING AND EXPLORATION IN THIRD COUNTRIES (PARTICULARLY IN THE FAR EAST) AN ASSURED FUTURE SUPPLY OF LPG AND PRODUCTS, AND JOINT VENTURES IN REAL ESTATE AND OTHER ENDEAVORS.

7. WHEN CHARGE REITERATED
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PAGE 02 KUWAIT 00002 210827Z

SUCH A DEAL COULD HURT GULF IN NIGERIA AND OTHER COMPANIES ELSEWHERE, RALSTON DEMURRED ARGUING THAT AGREEMENTS CURRENTLY BEING NEGOTIATIONS EVERYWHERE HAD BECOME SO COMPLEX THAT IT WOULD BE DIFFICULT TO ASSESS ACCURATELY THEIR RELATIVE ADVANT-

AGES.

8. IN BRIEF DISCUSSION RE POSSIBLE GOK STRATEGY, RALSTON OBSERVED THAT KAZEMI STILL APPEARS RELAXED ON TIMING OF SETTLEMENT (DISPRITE PRESS SUGGESTIONS TO CONTRARY) AND HAD EXPRESSED NO CONCERN DURING PRESENT ROUND TALKS REGARDING POSSIBLE NATIONAL ASSEMBLY PRESSURE TO CONCLUDE NEGOTIATIONS. IF SEPERATE NEGOTIATIONS AGREED, HE SPECULATED TALKS COULD CONTINUE THROUGH SUMMER MONTHS, BUT ADMITTED GULF HAD NO FIRM INSIGHT INTO GOK INTENTIONS.

9. RALSTON SAID HE PLANNED RETURN PITTSBURGH NIGHT JUNE 19 AND THAT BP/GULF REPS UNDOUBTEDLY WOULD HAVE TO MEET IN US OF UK EARLY NEXT WEEK TO DETERMINE NATURE RESPONSE TO BE GIVEN TO KAZEMI SUGGESTION FOR SEPERATE NEGOTIONS. HE SAID GULD WOULD KEEP DEPARTMENT INFORMED OF OUTCOME THESE TALKS.

10. COMMENT: IF RALSTON ACCURATELY REFLECTS CURRENT THINKING IN GULF CORPORATE HEADQUARTERS PITTSBURGH, IT WOULD APPEAR PRESENT INTERNATIONAL TRENDS COMBINED WITH COMPANY'S REORGANIZATION AND DIVERSIFICATION EFFORTS COULD RESULT IN ENTIRELY DIFFERENT FUTURE RELATIONSHIP BETWEEN COMPANY AND GOK---SOME FORM OF PARTNERSHIP WITH GULF PLAYING AN IMPORTANT ROLE IN HELPING KUWAIT PLACE ITS MONEY IN US AND THIRD COUNTRIES IN AREAS BOTH INSIDE AND OUTSIDE PETROLEUM SECTOR. THE IMPLICATIONS FOR THE USG, THE COMPANY ITSELF AND THE INTERNATIONAL OIL INDUSTRY COULD BE SUBSTANTIAL. IN PARTICULAR, IT WOULD SEEM THE US CONGRESS IS LIKELY TO TAKE SOME EXCEPTION TO GULF ACTIVITIES NOT DIRECTLY RELATED TO OIL PRODUCTION AND MARKETING BUT TENDING TO INCREASE OIL COSTS TO THE CONSUMER FOR PETROLEUM AND PETROLEUM PRODUCTS.
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